1 2 3 4 5 6 UNITED STATES DISTRICT COURT 7 WESTERN DISTRICT OF WASHINGTON 8 UNITED STATES OF AMERICA, 9 Case No: 2:23-cv-00836-RAJ Plaintiff, STIPULATED ORDER FOR 10 v. PERMANENT INJUNCTION, CIVIL PENALTY JUDGMENT, AND OTHER 11 MICROSOFT CORP., a corporation, **RELIEF** 12 Defendant. 13 14 Plaintiff, the United States of America, acting upon notification and authorization to the 15 Attorney General by the Federal Trade Commission ("Commission"), filed its Complaint for 16 Civil Penalties, Permanent Injunction, and Other Relief ("Complaint"), for a permanent 17 injunction, civil penalties, and other relief in this matter, pursuant to Sections 13(b) and 16(a)(1) 18 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 56(a)(1), 19 Sections 1303(c) and 1306(d) of the Children's Online Privacy Protection Act ("COPPA"), 20 15 U.S.C. §§ 6502(c) and 6505(d), and the Commission's Children's Online Privacy Protection 21 Rule ("COPPA Rule"), 16 C.F.R. Part 312. Defendant has waived service of the summons and 22 the Complaint. Plaintiff and Defendant stipulate to the entry of this Stipulated Order for 23 Permanent Injunction, Civil Penalty Judgment, and Other Relief ("Order") to resolve all matters 24 in dispute in this action between them. STIPULATED ORDER - 1

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THEREFORE, IT IS ORDERED as follows:

FINDINGS

- 1. This Court has jurisdiction over this matter.
- 2. The Complaint charges that Defendant violated the COPPA Rule and Section 5 of the FTC Act, 15 U.S.C. § 45, by failing to provide complete direct notice to Parents, failing to provide complete online notice of its information practices with regard to Children, failing to Obtain Verifiable Parental Consent before Collecting, using, or Disclosing Personal Information from Children, and retaining Personal Information Collected online from Children for longer than reasonably necessary.
- 3. Defendant neither admits nor denies any of the allegations in the Complaint, except as specifically stated in this Order. Only for purposes of this action, Defendant admits the facts necessary to establish jurisdiction.
- 4. Defendant waives any claim that it may have under the Equal Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action through the date of this Order, and agrees to bear its own costs and attorney fees.
- 5. Defendant and Plaintiff waive all rights to appeal or otherwise challenge or contest the validity of this Order.

DEFINITIONS

For the purposes of this Order, the following definitions apply:

A. "Adult Microsoft Account(s)" means a Microsoft Account with an Xbox User ID or equivalent identifier created either on a gaming console or related website for an individual who provided a birthdate during account creation indicating that s/he is over the age of 18 as of the date of entry of this Order.

- B. "Child" or "Children" means any individual or individuals under the age of 13.
- C. "Child Microsoft Account(s)" means a Microsoft Account with an Xbox User ID or equivalent identifier created either on a gaming console or related website for an individual with a birthdate provided during account creation that indicates that the user is a Child. *Provided, however*, that Part III of this Order shall apply to only Child Microsoft Accounts that (1) were created before May 2021 and (2) belong to a user who is a Child as of thirty (30) days after entry of this Order.
- D. "Clear(ly) and conspicuous(ly)" means that a required disclosure is difficult to miss (i.e., easily noticeable) and easily understandable by ordinary consumers, including in all of the following ways:
 - In any communication that is solely visual or solely audible, the disclosure must
 be made through the same means through which the communication is presented.

 In any communication made through both visual and audible means, such as a
 television advertisement, the disclosure must be presented simultaneously in both
 the visual and audible portions of the communication even if the representation
 requiring the disclosure is made in only one means.
 - 2. A visual disclosure, by its size, contrast, location, the length of time it appears, and other characteristics, must stand out from any accompanying text or other visual elements so that it is easily noticed, read, and understood.
 - An audible disclosure, including by telephone or streaming video, must be
 delivered in a volume, speed, and cadence sufficient for ordinary consumers to
 easily hear and understand it.
 - 4. In any communication using an interactive electronic medium, such as the Internet or software, the disclosure must be unavoidable.

STIPULATED ORDER - 3

- Receives notice of the Operator's Personal Information Collection, use, and
 Disclosure practices; and
- 2. Authorizes any Collection, use, and/or Disclosure of the Personal Information, using a method reasonably calculated, in light of available technology, to ensure that the Person providing consent is the Child's Parent.
- L. "Online Contact Information" means an email address or any other substantially similar identifier that permits direct contact with a Person online, including but not limited to, an instant messaging user identifier, a voice over internet protocol (VOIP) identifier, or a video chat user identifier.
 - "Operator" means any Person who operates a website located on the Internet or an online service and who Collects or maintains Personal Information from or about the users of or visitors to such website or online service, or on whose behalf such information is Collected or maintained, or offers products or services for sale through that website or online service, where such website or online service is operated for commercial purposes involving commerce among the several States or with one or more foreign nations; in any territory of the United States or in the District of Columbia, or between any such territory and another such territory or any State or foreign nation; or between the District of Columbia and any State, territory, or foreign nation. This definition does not include any nonprofit entity that would otherwise be exempt from coverage under Section 5 of the Federal Trade Commission Act (15 U.S.C. § 45). Personal Information is Collected or maintained on behalf of an Operator when:
 - 1. It is Collected or maintained by an agent or service provider of the Operator; or
 - 2. The Operator benefits by allowing another Person to Collect Personal Information

1			directly from users of such website or online service.	
2	N.	"Parent" includes a legal guardian.		
3	O.	"Pers	on" means any individual, partnership, corporation, trust, estate, cooperative,	
4		associ	ation, or other entity.	
5	P.	"Pers	onal Information" means individually identifiable information about an individual	
6		Collec	eted online, including:	
7		1.	A first and last name;	
8		2.	A home or other physical address including street name and name of a city or	
9			town;	
10		3.	Online Contact Information;	
11		4.	A screen or user name where it functions in the same manner as Online Contact	
12			Information;	
13		5.	A telephone number;	
14		6.	A Social Security number;	
15		7.	A persistent identifier that can be used to recognize a user over time and across	
16			different websites or online services. Such persistent identifier includes, but is no	
17			limited to, a customer number held in a cookie, an Internet Protocol (IP) address,	
18			a processor or device serial number, or unique device identifier;	
19		8.	A photograph, video, or audio file where such file contains a Child's image or	
20			voice;	
21		9.	Geolocation information sufficient to identify street name and name of a city or	
22			town; or	
23		10.	Information concerning the Child or the Parents of that Child that the Operator	
24			Collects online from the Child and combines with an identifier described in this	

1			definition, including but not limited to the following information concerning the
2			Child that the Operator Collects online from the Child and combines with an
3			identifier described above: avatars generated from a Child's image; biometric dat
4			(including but not limited to eye tracking, iris and retina scans, voiceprint, scan
5			and hand and face geometry, fingerprint, and gait); health information;
6			physiological responses; and vital signs.
7	Q. "Release of Personal Information" means the sharing, selling, renting, or transfer of		
8	Personal Information to any Third Party.		
9	R.	"Supp	port for the Internal Operations of the Website or Online Service" means:
10		1.	Those activities necessary to:
11			a. Maintain or analyze the functioning of the website or online service;
12			b. Perform network communications;
13			c. Authenticate users of, or personalize the content on, the website or online
14			service;
15			d. Serve contextual advertising on the website or online service or cap the
16			frequency of advertising;
17			e. Protect the security or integrity of the user, website, or online service;
18			f. Ensure legal or regulatory compliance; or
19			g. Fulfill a request of a Child as permitted by Sections 312.5(c)(3) and (4) of
20			the COPPA Rule (attached as Appendix A);
21		2.	So long as the information Collected for the activities listed in 1(a)-(g) is not used
22			or Disclosed to contact a specific individual, including through behavioral
23			advertising, to amass a profile on a specific individual, or for any other purpose.
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- Online Privacy Protection Rule, 16 C.F.R. Part 312 (attached as Appendix A), provides an exception to providing such notice;
- C. Failing to Obtain Verifiable Parental Consent before any Collection, use, or Disclosure of Personal Information from Children, including consent to any material change in the Collection, use, or Disclosure practices to which the Parent has previously consented, unless the Children's Online Privacy Protection Rule, 16 C.F.R. Part 312 (attached as Appendix A), provides an exception to Obtaining Verifiable Parental Consent;
- D. Retaining Personal Information Collected from a Child for longer than is reasonably necessary to fulfill the purpose for which the information was Collected; and
- E. Violating the Children's Online Privacy Protection Rule, 16 C.F.R. Part 312 (attached as Appendix A).

II. REQUIRED NOTICE TO ADULTS

IT IS FURTHER ORDERED that, within forty-five (45) days of entry of this Order,
Defendant must send through the Xbox Live Service the Xbox Platform Notice and email the
notice entitled "Microsoft's Xbox Parental Controls and Family Settings" (both of which
appear at Appendix B) to every Adult Microsoft Account that was not associated with a Child
Microsoft Account before entry of this Order. *Provided, however,* that such notices being sent to
non-United States-based accounts must be sent within one hundred and eighty days (180) days of
entry of this Order.

III. INJUNCTION CONCERNING PERSONAL INFORMATION PREVIOUSLY COLLECTED FROM CHILDREN

IT IS FURTHER ORDERED that Defendant, Defendant's officers, agents, employees, and attorneys, and all other Persons in active concert or participation with any of them, who receive actual notice of this Order, for any Child Microsoft Account, are ordered to:

- A. Within sixty (60) days of entry of this Order, seek to Obtain Verifiable Parental Consent to Collect, use, Disclose, and retain Personal Information Collected from such Child Microsoft Account;
- B. Within one hundred and eighty (180) days of entry of this Order (the "Account Suspension Date"), if Defendant has not Obtained Verifiable Parental Consent, refrain from Collecting Personal Information from Child Microsoft Accounts via the Xbox Live Service, and refrain from Disclosing or using Personal Information Defendant Collected from Children through Child Microsoft Accounts via the Xbox Live Service, except for the use of persistent identifiers to Support the Internal Operations of the Xbox Live Service, unless and until Defendant has Obtained Verifiable Parental Consent;
- C. Within one (1) year of the Account Suspension Date, Delete all Personal Information

 Defendant Collected from Children through Child Microsoft Accounts for which

 Defendant has not, by that date, Obtained Verifiable Parental Consent;
- D. Within one (1) year and one month of the Account Suspension Date, provide a written statement to the Commission, sworn under penalty of perjury, that (1) describes the process through which Defendant Obtained Verifiable Parental Consent from Parents to Collect, use, and retain Personal Information Collected from each Child Microsoft Account; (2) identifies the total number of Child Microsoft Accounts for which Defendant sought to Obtain Verifiable Parental Consent, as well as the number of Child Microsoft Accounts for which:
 - (i) Defendant Obtained Verifiable Parental Consent;
 - (ii) a Parent affirmatively declined to consent;
 - (iii) a Parent did not respond;
 - (iv) a Parent requested Deletion, and

(v) a Parent engaged with Defendant by asking additional questions; and(3) confirms all Personal Information related to Child Microsoft Accounts for whichDefendant failed to Obtain Verifiable Parental Consent has been Deleted.

IV. DATA RETENTION

IT IS FURTHER ORDERED that Defendant, Defendant's officers, agents, employees, and attorneys, and all other Persons in active concert or participation with any of them, who receive actual notice of this Order, are ordered to:

- A. Within thirty (30) days of entry of this Order, establish and implement, and thereafter maintain, a system to Delete, within two (2) weeks from the date of Collection, all Personal Information Defendant has Collected from Children for purposes of Obtaining Verifiable Parental Consent, unless the Parent provides Verifiable Parental Consent.
- B. As of the date of entry of this Order, maintain and adhere to a retention schedule for Personal Information Collected through Child Microsoft Accounts, setting forth the purpose for which the information was Collected, the specific business need for retaining such Personal Information, and an established time frame and set of criteria for Deletion of such information that may not be longer than is reasonably necessary to fulfill the purpose for which the information was Collected, and make such information about the retention schedule publicly available on Defendant's website(s) and in the direct notice.

V. REQUIREMENT TO NOTIFY THIRD PARTIES WHEN DISCLOSING PERSONAL INFORMATION COLLECTED FROM A CHILD

IT IS FURTHER ORDERED that Defendant, within one hundred and twenty (120) days of entry of this Order, in connection with operating a Covered Service, must, at each instance

when Disclosing Personal Information from a Child Microsoft Account to any video game publisher on such service, indicate to such party (such as through an API) that the user is a child under age 13.

VI. MANDATED DATA DOCUMENTATION

IT IS FURTHER ORDERED that Defendant, in connection with the Collection, maintenance, use, or Disclosure of, or provision of access to, Personal Information Collected through a Covered Service, must, within ninety (90) days of issuance of this Order, document internally the decision to Collect, use, Disclose, provide access to, or maintain each data field of Personal Information that is Collected through Child Microsoft Accounts. Such documentation must include: for what purpose the data field of Personal Information is being Collected; the data segmentation controls in place to ensure that the data field of Personal Information Collected is only used for the particular purpose for which it was Collected; the data retention limit set and the technical means for achieving Deletion of the data field of Personal Information; the safeguards in place to prevent unauthorized sharing or sale of the data field of Personal Information; and the controls in place to ensure only authorized employees with a legitimate business purpose(s) have access to the data field of Personal Information.

VII. <u>REGISTRATION REQUIREMENT</u>

IT IS FURTHER ORDERED that:

- A. During the account set-up or registration process for a Covered Service, Defendant must obtain the age of the user.
- B. As of the date of entry of this Order, Defendant is required to provide users the following information during the account set-up or registration process for a Covered Service:

Please create a child account for any child that plays on this device. Microsoft offers parental controls for this device and a family safety settings app to provide controls to parents, so you can place limitations

for reasons of privacy and safety. For example, you can limit who can communicate with the child. If this device will be used by a child, you can make the child account and set controls on the next screen.

Defendant must provide Clear and Conspicuous notice of the steps to set up a Child Microsoft Account during the registration process. *Provided, however*, that such information be provided to non-United States-based accounts within one hundred and eighty (180) days of the date of entry of this Order.

VIII. MONETARY JUDGMENT FOR CIVIL PENALTY

IT IS FURTHER ORDERED that:

- A. Judgment in the amount of twenty million dollars (\$20,000,000) is entered in favor of Plaintiff against Defendant, as a civil penalty.
- B. Defendant is ordered to pay to Plaintiff, by making payment to the Treasurer of the United States, twenty million dollars (\$20,000,000), which, as Defendant stipulates, its undersigned counsel holds in escrow for no purpose other than payment to Plaintiff. Such payment must be made within seven (7) days of entry of this Order by electronic fund transfer in accordance with instructions provided by a representative of Plaintiff.
- C. Defendant relinquishes dominion and all legal and equitable right, title, and interest in all assets transferred pursuant to this Order and may not seek the return of any assets.
- D. The facts alleged in the Complaint will be taken as true, without further proof, in any subsequent civil litigation by or on behalf of the Commission, including in a proceeding to enforce its rights to any payment or monetary judgment pursuant to this Order.
- E. Defendant acknowledges that its Taxpayer Identification Number, which Defendant must submit to the Commission, may be used for collecting and reporting on any delinquent amount arising out of this Order, in accordance with 31 U.S.C. § 7701.

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IX. ORDER ACKNOWLEDGMENTS

IT IS FURTHER ORDERED that Defendant obtain acknowledgments of receipt of this Order:

- A. Defendant, within seven (7) days of entry of this Order, must submit to the Commission an acknowledgment of receipt of this Order sworn under penalty of perjury.
- B. For five (5) years after entry of this Order, Defendant for any business that Defendant controls, directly or indirectly, or for which Defendant is the majority owner, must deliver a copy of this Order to: (1) all principals, officers, directors, managers, and members; (2) all employees having managerial responsibilities relating to the subject matter of the Order, and all agents and representatives who participate in conduct related to the subject matter of the Order; and (3) any business entity resulting from any change in structure as set forth in the Section titled Compliance Reporting. Delivery must occur within seven (7) days of entry of this Order for current personnel. To all others, delivery must occur before they assume their responsibilities.
- C. From each individual or entity to which Defendant delivered a copy of this Order, Defendant must obtain, within thirty (30) days, a signed and dated acknowledgment of receipt of this Order.

X. COMPLIANCE REPORTING

IT IS FURTHER ORDERED that Defendant make timely submissions to the Commission:

A. One year after entry of this Order, Defendant must submit a compliance report, sworn under penalty of perjury, in which Defendant must: (a) identify the primary physical, postal, and email address and telephone number, as designated points of contact, which

representatives of the Commission and Plaintiff may use to communicate with Defendant; (b) identify all of Defendant's businesses related to each Covered Service by all of their names, telephone numbers, and physical, postal, email, and Internet addresses; (c) describe the activities of each Covered Service, including the goods and services offered, the means of advertising, marketing, and sales; (d) describe in detail whether and how Defendant is in compliance with each Section of this Order; (e) provide a copy of each different version of any privacy notice for each Covered Service or sent to Parents of Children that register for each Covered Service; (f) provide a statement setting forth in detail the methods used to Obtain Verifiable Parental Consent before any Collection, use, and/or Disclosure of Personal Information from Children; (g) provide a statement setting forth in detail the means provided for Parents to review the Personal Information Collected from their Children and to refuse to permit its further use or maintenance for each Covered Service; and (h) provide a copy of each Order acknowledgment obtained pursuant to this Order, unless previously submitted to the Commission.

- B. For ten (10) years after entry of this Order, Defendant must submit a compliance notice, sworn under penalty of perjury, within fourteen (14) days of any change in: (a) any designated point of contact; or (b) the structure of Defendant or any entity that Defendant has any ownership interest in or controls, directly or indirectly, that may affect compliance obligations arising under this Order, including: creation, merger, sale, or dissolution of the entity or any subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order.
- C. Defendant must submit to the Commission notice of the filing of any bankruptcy petition, insolvency proceeding, or similar proceeding by or against Defendant within fourteen (14) days of its filing.

E. A copy of each materially different form, page, or screen created, maintained, or otherwise provided by Defendant through which Defendant Collects Personal Information from Children through each Covered Service, and a copy of each materially different document containing any representation regarding Defendant's Collection, use, and Disclosure practices pertaining to Personal Information from Children Collected through each Covered Service. Each webpage copy shall be accompanied by the URL of the webpage where the material was posted online. Electronic copies shall include all text and graphics files, audio scripts, and other computer files used in presenting information on the Internet.

XII. <u>COMPLIANCE MONITORING</u>

IT IS FURTHER ORDERED that, for the purpose of monitoring Defendant's compliance with this Order:

- A. Within fourteen (14) days of receipt of a written request from a representative of the Commission or Plaintiff, Defendant must: submit additional compliance reports or other requested information, which must be sworn under penalty of perjury; appear for depositions; and produce documents for inspection and copying. The Commission and Plaintiff are also authorized to obtain discovery, without further leave of court, using any of the procedures prescribed by Federal Rules of Civil Procedure 29, 30 (including telephonic depositions), 31, 33, 34, 36, 45, and 69.
- B. For matters concerning this Order, the Commission and Plaintiff are authorized to communicate directly with Defendant. Defendant must permit representatives of the Commission and Plaintiff to interview any employee or other Person affiliated with any Defendant who has agreed to such an interview. The Person interviewed may have counsel present.

1	C. The Commission and Plaintiff may use all other lawful means, including posing, through					
2	its representatives, as consumers, suppliers, or other individuals or entities, to Defendant					
3	or any individual or entity affiliated with Defendant, without the necessity of					
4	identification or prior notice. Nothing in this Order limits the Commission's lawful use					
5	of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49,					
6	57b-1.					
7	XIII. <u>RETENTION OF JURISDICTION</u>					
8	IT IS FURTHER ORDERED that this Court retains jurisdiction of this matter for					
9	purposes of construction, modification, and enforcement of this Order.					
10	DATED this 0th day of large 2022					
11	DATED this 9th day of June, 2023.					
12	Richard A Jones					
13	The Honorable Richard A. Jones United States District Judge					
15	SO STIPULATED AND AGREED AND PRESENTED BY:					
16	FOR PLAINTIFF UNITED STATES OF AMERICA:					
17 18	BRIAN M. BOYNTON Principal Deputy Assistant Attorney General, Civil Division					
19	ARUN G. RAO Deputy Assistant Attorney General, Civil Division					
20 21	AMANDA N. LISKAMM Director, Consumer Protection Branch					
22	LISA K. HSIAO Assistant Director, Consumer Protection Branch					
23	//					

1	s/ Katherine M. Ho	Date:	6/5/2023	
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